

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7044

BILL NUMBER: HB 1232

NOTE PREPARED: Dec 31, 2004

BILL AMENDED:

SUBJECT: Tax Credits for Restoring Historic Properties.

FIRST AUTHOR: Rep. Hoy

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State

Summary of Legislation: The bill allows an Adjusted Gross Income Tax Credit for the rehabilitation of historic property to be assigned to another taxpayer.

Effective Date: July 1, 2005.

Explanation of State Expenditures: The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the changes relating to assignment of the Historic Rehabilitation Tax Credit. The bill requires a taxpayer who has assigned the credit, and the assignee, to report this on their state tax return in the year the assignment is made. The expenses relating to the bill presumably could be absorbed given the DOR's existing budget and resources.

Explanation of State Revenues: *Summary:* The bill allows a taxpayer who is entitled to claim the Historic Rehabilitation Tax Credit to assign any portion of the credit to another taxpayer. Assuming unused credit amounts would eventually be utilized, this change has no long-run fiscal impact. The change could potentially provide for more timely use of credits obtained by taxpayers whose tax liabilities are not sufficient to exhaust the credits in one year. However, this impact is still subject to the annual credit cap set under current law that limits the aggregate amount of credits that may be claimed each year to \$450,000. Thus, a taxpayer could assign credits and recoup the creditable rehabilitation expenditures immediately, with the assignee actually not able to use the credits for several years due to the aggregate annual credit cap.

Background: Current statute provides for a non-refundable Adjusted Gross Income (AGI) Tax Credit for

individual and corporate taxpayers equal to 20% of the historic preservation or rehabilitation expenditures made by the taxpayer. The expenditures must exceed \$10,000 and must be certified by the Department of Natural Resources. Current statute prohibits the aggregate amount of credits claimed by taxpayers during a fiscal year from exceeding \$450,000. According to the DNR, the number of projects approved for credits in recent years totaled: (1) 22 in 2001; (2) 18 in 2002; and (3) 8 in 2003. In each of these years, the \$450,000 aggregate credit limit was reached. Currently, tax credits to the annual aggregate credit limit have been certified each year through FY 2014. This translates into approximately \$4.95 M in tax credits to be claimed against future tax liabilities.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: David Duvall, Division of Historic Preservation and Archeology, Department of Natural Resources, (317) 232-1635.

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